

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

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In re: Bky. Case No. 08-35197 (RJK)

MN Airlines, LLC, dba Sun Country Chapter 11  
Airlines,

Debtor.

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MN Airline Holdings Inc., Bky. Case No. 08-35198 (RJK)

Debtor. Chapter 11

**NOTICE OF HEARING AND MOTION TO TEMPORARILY ALLOW CLAIMS FOR  
VOTING PURPOSES AND FOR EXPEDITED RELIEF**

To: The debtors in the above-captioned cases and other entities specified in Local Rule 9013-3(a)

1. Petters Aviation, LLC and Petters Aircraft Leasing, LLC move the court for an expedited hearing and to temporarily allow their claims against the debtors for voting purposes pursuant to Bankruptcy Rule 3018(a).

2. The court will hold a hearing on this motion at 2:00 p.m. on Wednesday, September 8, 2010 before the Honorable Robert J. Kressel, in Courtroom 8W, U.S. Courthouse, 300 South Fourth Street, Minneapolis, Minnesota 55415.

3. Ordinarily, any response to this motion must be served and filed by delivery or by mail five days before the time set for the hearing, as computed by the Federal Rules of Bankruptcy Procedure. Given the expedited nature of the relief sought, the movants will not object to written responses being served and filed 24 hours before the hearing. UNLESS A RESPONSE OPPOSING THE

MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION  
WITHOUT A HEARING.

4. The court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, Federal Rule of Bankruptcy Procedure 5005 and Local Rule 1070-1. This proceeding is a core proceeding.

5. The debtors filed petitions commencing their voluntary Chapter 11 cases on October 6, 2008. Both cases are now pending in this court.

6. This motion arises under 11 U.S.C. §§ 1126 and Bankruptcy Rule 3018. This motion is filed under Bankruptcy Rule 9014 and Local Rule 9013.

7. Expedited relief is necessary because the hearing on confirmation of a plan of reorganization propounded by the debtors is scheduled for September 10, 2010, and certain recent objections to the claims of Petters Aircraft Leasing and Petters Aviation are unresolved.

#### **SUMMARY OF RELIEF SOUGHT**

8. The movants seek temporarily allowances of the claims that are subject to pending objections as follows:

<b>Entity</b>	<b>Claim No. (Debtor Filed Against)</b>	<b>Temporary Allowance Amount</b>
Petters Aviation, LLC	6 (MN Holdings)	\$3,272,727.00
Petters Aviation, LLC	231 (MN Airlines)	\$17,202,910.87
Petters Aircraft Leasing	195, 196, 235 and 271 (MN Airlines)	\$41,350,634.81

9. The only remaining objections to these claims are asserted by Sun Minnesota Foreign Holdings, LLC, Sun Minnesota Domestic Holdings, LLC and Sun Credit, LLC, all of which are entities formed and managed by Whitebox

Advisors, LLC, a hedge fund headquartered in Minneapolis, Minnesota. They are referred to as Whitebox or the Whitebox entities.

10. No objection appears to be pending to Petters Aviation Claim Nos. 4 and 5 against MN Airline Holdings, Inc. in the total amount of \$4,909,091.00. Should an objection be made, Petters Aviation reserves the right to amend this motion to include temporary allowance of Claim Nos. 4 and 5 in the amounts of \$3,041,701.00 and \$1,867,390.00 respectively.

**PETTERS AVIATION, LLC**

11. Petters Aviation, LLC is a debtor in possession in Chapter 11 Case No. 08-45136 pending in this district. It owns 100% of the voting stock of MN Airline Holdings, Inc.

12. On May 10, 2010, the committee of unsecured creditors in the Sun Country case objected to Claim No. 231 of Petters Aviation as to any amounts in excess of \$15,145,133.00. On July 16, 2010, Petters Aviation responded to the UCC's objection and asserted that the proper amount of Claim No. 231 is \$17,202,910.87. On August 12, 2010, in aid of a settlement concerning its objection, the Sun Country creditors committee continued the hearing on its objection to September 22, 2010.

13. On August 16, 2010, after learning of the settlement, Whitebox filed a joinder in the objection of the Sun Country creditors committee to Claim No. 231.

**PETTERS AIRCRAFT LEASING, LLC**

14. Petters Aircraft Leasing is a wholly owned subsidiary of Petters Aviation.

15. On May 11, 2010, the Sun Country committee of unsecured creditors filed an objection to Claim Nos. 195, 196, 235 and 271 of Petters Aircraft Leasing. On July 16, 2010, Petters Aircraft Leasing responded to the committee's objections, requesting that the objection be overruled in its entirety (Sun Country Docket No. 482). On August 17, 2010, after the hearing on this objection was rescheduled for September 22, 2010, Whitebox joined in the committee's objection.

16. In addition, on August 30, 2010, Whitebox filed an adversary proceeding against Petters Aircraft Leasing, Adv. Pro. No. 10-3178, seeking equitable subordination of Petters Aircraft Leasing's claims against Sun Country.

17. In addition, on August 25, 2010, the Whitebox entities addressed Petters Aviation's Claim No. 6 against MN Airline Holdings and Claim No. 231 against Sun Country in their answer and counterclaim to the complaint in an adversary proceeding commenced by Petters Aviation against the Whitebox entities. *Petters Aviation, LLC v. Sun Minnesota Foreign Holdings, LLC, et al.*, Adv. Pro. No. 10-4175. In that answer and counterclaim, the Whitebox entities do not ask the court to alter the amount of Claim No. 6 or Claim No. 231, but seek to have them equitably subordinated to the claims of other general unsecured creditors.

18. On August 4, 2010, debtors filed a modified Chapter 11 plan of reorganization reflecting, among other things, a settlement reached among the debtors, the Sun Country creditors committee, Petters Aircraft Leasing, Petters Aviation and other Petters-related entities. This settlement included a resolution of the objections to Petters Aviation Claim No. 231 and Petters Aircraft Leasing, LLC Claim Nos. 195, 196, 235 and 271. In pertinent part, the plan provides that the allowed claims of the Petters interests shall be in the amount of \$78,245,000.00 (Docket No. 504, Section 4.5(b)(1)). The breakdown of the claims of the Petters interests comprising this total amount are presently as follows:

a.	Petters Aviation claim against Sun Country:	\$17,202,910.00
b.	Petters Aviation claims against MN Airline Holdings, Inc.	\$8,181,818.00
c.	Claims of Petters Aircraft Leasing against Sun Country	\$41,350,634.81
d.	Petters Group Worldwide claim against Sun Country	\$11,509,637.19

19. On August 6, 2010, the court entered an order approving the disclosure statement and setting a hearing on confirmation of the modified plan for September 10, 2010 at 9:00 a.m.

20. The claim objections asserted by the Sun Country committee are resolved as part of an overall agreement embodied in the pending Sun Country joint plan of reorganization. The objections by joinder and the subordination claims of Whitebox, some of which were asserted as recently as August 30, 2010, are not yet resolved. Given the scheduling of the hearing on confirmation of the debtors' plan for September 10, 2010, and the hearing on the claim objections for September 22, 2010, there is not sufficient time to determine the Whitebox objections prior to consideration of confirmation of the plan.

**NOTICE OF WITNESSES**

21. Pursuant to Local Rule 9013 2(c), counsel for Petters Aviation, LLC may call, if necessary, T. Jay Salmen, President and Chief Executive officer of Petters Aviation, LLC and Petters Aircraft Leasing, LLC, to testify at any preliminary hearing regarding the matters set forth in this motion. The movants reserve the right to submit a more complete witness list in any final evidentiary hearing on this matter.

**CONCLUSION**

22. Based upon the foregoing, it is respectfully requested that the motion be granted.

MOSS & BARNETT  
A Professional Association

Dated: September 2, 2010

By /e/ James A. Rubenstein  
James A. Rubenstein, #94080  
Cass S. Weil, #15228  
4800 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402-4129  
Telephone: (612) 877-5363  
**Attorneys for Petters Aviation, LLC and  
Petters Aircraft Leasing, LLC**

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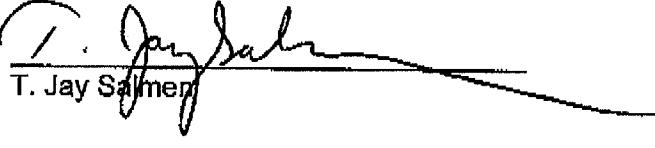
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MN Airline Holdings Inc., Bky. Case No. 08-35198 (RJK)  
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**VERIFICATION**

I, T. Jay Salmen, President and Chief Executive Officer of Petters Aviation, LLC and Petters Aircraft Leasing, LLC, declare under penalty of perjury that the factual information in the foregoing motion is true and correct according to the best of my knowledge, information and belief.

Dated: September 2, 2010

  
T. Jay Salmen

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**MEMORANDUM OF LAW IN SUPPORT OF MOTION FOR EXPEDITED HEARING  
AND TO TEMPORARILY ALLOW CLAIMS FOR VOTING PURPOSES**

Petters Aviation, LLC and Petters Aircraft Leasing, LLC submit this memorandum in support of their motion for an expedited hearing and to temporarily allow their claims for purposes of voting on any plan of reorganization propounded by the debtors in this case.

The facts upon which this memorandum is based are set out in the motion and are incorporated here.

**DISCUSSION**

Section 1126(a) of the Bankruptcy Code states that “the holder of a claim or interest allowed under Section 502 of this title may accept or reject a plan.” Under Section 502(a) of the Bankruptcy Code, a “claim or interest, proof of which is filed under Section 501 of this title, is deemed allowed, unless a party in interest . . . objects.”

Federal Rule of Bankruptcy Procedure 3018 addresses this situation in the case of acceptance or rejection of a plan in a Chapter 11 reorganization case. Rule 3018(a)

provides, in pertinent part, as follows: "Notwithstanding objection to a claim or interest, the court after notice and hearing may temporarily allow the claim or interest in an amount which the court deems proper for the purpose of accepting or rejecting a plan."

This rule leaves "the determination of whether to temporarily allow a claim to the discretion of the court." *In re Harmony Holdings, LLC*, 395 B.R. 350, 604 (Bkrtcy. S.C. 2008).

Claim No. 231 of Petters Aviation against Sun Country has not been the subject of serious dispute by the debtors or the creditors committee and, as is shown from the July 16, 2010 response of Petters Aviation to the claim objection (Docket No. 481), it is merely the principal and interest due on a written promissory note for funds advanced to Sun Country Airlines.

Claim No. 6 of Petters Aviation against MN Airline Holdings, Inc. is one of a series of three so-called "Secured Convertible Promissory Notes" issued by the holding company as of October 31, 2010 as follows: (a) in the original principal amount of \$3,041,701.00 payable to Sun Minnesota Foreign Holdings, LLC (Claim No. 4 against MN Airline Holdings); (b) in the original principal amount of \$1,867,390.00 payable to Sun Minnesota Domestic Holdings, LLC (Claim No. 5); and (c) in the original principal amount of \$3,272,727.00 payable to Petters Aviation, LLC (Claim No. 6). All three of these notes were issued simultaneously in connection with the acquisition of Sun Country Airlines by MN Airline Holdings, Inc. and reflect the joint ownership of MN Airline Holdings, at the time, by Petters Aviation, LLC and the Whitebox entities.

Claim No. 6 is based on the Secured Convertible Promissory Note initially issued to Petters Aviation. Petters Aviation's Claim Nos. 4 and 5, to which no objection has

been made, were originally issued to the Whitebox entities, but were sold to Petters Aviation in connection with a buyout of the Whitebox entities interest in MN Airline Holdings as of November 30, 2007. This buyout is the subject of one of the pending adversary proceedings, *Petters Aviation, LLC v. Sun Minnesota Foreign Holdings, LLC, et al.*, Adv. Pro. No. 10-4175. Claim Nos. 4 and 5 have the same legal and factual basis as Claim No. 6, and no objection has been made to them. Whitebox merely seeks equitable subordination of Claim No. 6, without objecting to the amount of the claim.

The claims of Petters Aircraft Leasing are described in detail in its response to the Sun Country committee's objections. See Docket No. 482. Petters Aircraft Leasing's claims are based on written agreements for aircraft rental, Sun Country's admitted breach of those agreements and its subsequent rejection of the leases as of June 1, 2009.

Accordingly, on their face, all of the claims have merit. Moreover, movants are willing to limit the value attributed to their claims for voting purposes to the amounts that were incorporated in the settlement agreement that led to the current plan proposed by the debtors.

Accordingly, the motion should be granted.

MOSS & BARNETT  
A Professional Association

Dated: September 2, 2010

By /e/ James A. Rubenstein  
James A. Rubenstein, #94080  
Cass S. Weil, #15228  
4800 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402-4129  
Telephone: (612) 877-5363  
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**ORDER GRANTING MOTION TO TEMPORARILY ALLOW CLAIMS**

Upon consideration of the motion to temporarily allow claims for voting purposes pursuant to Federal Rule of Bankruptcy Procedure 3018(a), it is hereby ordered that:

1. The motion for an expedited hearing is granted.
2. The following claims are temporarily allowed in the amounts set forth for the purpose of voting on a plan of reorganization propounded by the debtors in this case:

<b>Entity</b>	<b>Claim No. (Debtor Filed Against)</b>	<b>Temporary Allowance Amount</b>
Petters Aviation, LLC	6 (MN Holdings)	\$3,272,727.00
Petters Aviation, LLC	231 (MN Airlines)	\$17,202,910.87
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Dated:

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Robert J. Kressel  
United States Bankruptcy Judge